(R) 134 4 dairy disposals

BUTTER

Question: Why do we stop butter exports to the USSR while permitting grain exports?

Answer:

-- THE MAIN THING TO KEEP IN MIND ABOUT THE COMMODITY CREDIT CORPORATION'S BUTTER IS THAT, UNLIKE OUR GRAIN, IT IS HEAVILY SUBSIDIZED. UNDER THE DAIRY PRICE SUPPORT PROGRAM, THE CCC BOUGHT THIS BUTTER AT PRICES WELL ABOVE WORLD MARKET PRICES. THE UNITED STATES GENERALLY OPPOSES EXPORT SUBSIDIES AS THE WORLD'S LARGEST AGRICULTURAL EXPORTER WE HAVE A PARTICULARLY GREAT STAKE IN LIMITING EXPORT SUBSIDIES ON AGRICULTURAL PRODUCTS. WE DO, HOWEVER, HAVE A PROBLEM WITH THE BUILD-UP OF THE CCC BUTTER STOCKS. WE HAVE BEEN WORKING WITH NEW ZEALAND AND THE EC, OUR ALLIES AND THE WORLD'S MAJOR BUTTER EXPORTERS, TO FIND AN ORDERLY MEANS OF DISPOSING OF SOME OF OUR BUTTER, THUS REDUCING THE BURDEN OF THE STORAGE COSTS.

-- IT IS THIS ADMINISTRATION'S POLICY THAT THE WEST SHOULD NOT SUBSIDIZE ITS TRADE WITH THE USSR. SUBSIDIZATION OF TRADE FLOWS TO THE SOVIET UNION RELIEVES IN SOME MEASURE THE PRESSURE BUILDING IN THE SOVIET ECONOMY TO REDUCE THE SHARE OF RESOURCES ALLOCATED TO THE MILITARY SECTOR. THE SALE OF SUBSIDIZED BUTTER TO THE USSR BY THE U.S. COULD COMPROMISE EFFORTS TO GAIN WEST EUROPEAN COOPERATION IN NOT SUBSIDIZING INDUSTRIAL TRADE WITH THE USSR.

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-- THERE IS ALSO THE ISSUE OF DOMESTIC POLITICAL SENSITIVITIES TO CONSIDER. AT A TIME OF HIGH PRICES AND ECONOMIC DIFFICULTY MANY AMERICAN CONSUMERS WOULD BE OUTRAGED IF SOVIET CITIZENS COULD BUY U.S. BUTTER FOR A PRICE FAR BELOW THE U.S. RETAIL PRICE, THANKS TO A SUBSIDY FROM THE AMERICAN TAX PAYER.

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